

Message Text

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C O N F I D E N T I A L BUCHAREST 3859

USEEC, USOECD

E.O. 11652: XGDS-1
TAGS: EGEN, RO, NATO
SUBJECT: ECONADS: COMMENTS ON ECONOMIC TRENDS REPORT

REF: USNATO 05622

1. EMBASSY HAS REVIEWED SUMMARY OF REPORT QUOTED IN
REFTEL AND GENERALLY FINDS IT TO BE AN EXCELLENT
PRESENTATION OF ECONOMIC TRENDS IN EASTERN EUROPE.
2. WITH RESPECT TO SPECIFIC PORTIONS OF SUMMARY
DEALING WITH ROMANIA, WE HAVE FOLLOWING COMMENTS AND
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SUGGESTIONS:

A. PARAGRAPH 4, CONSUMPTION - LAST SENTENCE ON
RETAIL SALES IN ROMANIA SEEMS TO IMPLY THAT STATE OF
CONSUMER IS MORE VOLATILE ISSUE THAN WE PERCEIVE IT TO
BE. IN PAST, RETAIL SALES TARGET HAS BEEN CONSISTENTLY
UNDERFULFILLED WITHOUT DIRE CONSEQUENCES, AND WE HAVE

NO REASON TO ASSUME THAT 1978 WILL BE ANY DIFFERENT.
WE SUGGEST SENTENCE BE TEMPERED AS FOLLOWS: QUOTE.
... WHERE DELAYS IN LONG OVERDUE SATISFACTION OF
BASIC CONSUMER DEMANDS COULD RISK SOME MANIFESTA-
TIONS OF LABOR DISCONTENT AND POSSIBLY JEOPARDIZE
ATTEMPTS AT CCCREASING PRODUCTIVITY. END QUOTE.

B. PARAGRAPH 8, INDUSTRY - IMPLICATION IN LAST
SENTENCE DESCRIBING 1978 INDUSTRIAL PRODUCTION IS THAT
ROMANIA EXPECTS PLANNED SLOW-DOWN IN COMPARISON WITH
1977. ALTHOUGH IT IS TRUE THAT ACTUAL GROWTH OF
12.5 PERCENT IN 1977 IS HIGHER THAN 1978 TARGET OF
10.6 PERCENT, IT SHOULD BE NOTED THAT 1977 TARGET WAS
ONLY 10.5 PERCENT. HENCE, TARGET FOR 1978 EXCEEDS 1977
PLAN TARGET AS WELL AS THAT FOR 1976 (10.2 PERCENT).
IN THIS SENSE, 1978 TARGET REPRESENTS HIGHER PLANNED
RATE OF GROWTH THAN IN PREVIOUS YEARS OF CURRENT FYP,
AND, THEREFORE, AN ACCELERATION RATHER THAN DECELE-
RATION. WE SUGGEST THAT LAST SENTENCE BE MODIFIED TO
INCLUDE NOTION THAT ROMANIA'S PLANNED GROWTH IN
INDUSTRIAL PRODUCTION FOR 1978, ALTHOUGH LESS THAN
ACTUAL RESULTS ACHIEVED IN 1977 (12.5 PERCENT),
CONTINUES OR SLIGHTLY ACCELERATES PLANNED GROWTH RATES
SET FOR PREVIOUS YEARS OF CURRENT FYP.

C. PARAGRAPH 9, FOREIGN TRADE - CONTRARY TO
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STATEMENT THAT, QUOTE, ... EACH COUNTRY WAS ABLE
TO REDUCE ITS 1977 TRADE DEFICIT ... ,END QUOTE, ROMANIA WENT
FROM A SURPLUS TRADE BALANCE IN 1976 TO DEFICIT
POSITION IN 1977, BOTH IN TERMS OF HARD CURRENCY
TRADE AND TOTAL TRADE. THIS INFORMATION BASED ON
DATA SUPPLIED BY GOR TO IMF AUTHORITIES. REASONS
FOR THIS SHIFT RELATED TO MARCH, 1977, EARTHQUAKE AND
SUBSEQUENT POLICY REACTIONS, AS WELL AS CONTINUED
PRICE INCREASES ON IMPORTED WESTERN GOODS AND DIFFI-
CULTIES IN ESTABLISHING ROMANIAN GOODS ON WESTERN
MARKETS.
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